

Message Text

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OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 IO-13 AGR-20

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INFO AMEMBASSY COLOMBO

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AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMEMBASSY LONDON

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

CINPAC

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CINCPAC FOR POLAD

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SUBJ: DOMESTIC POLITICAL REVIEW: YOU CAN'T LOSE THEM ALL

REF: NEW DELHI 7653

SUMMARY: DURING JULY THE PRIME MINISTER HAS CONTINUED TO CONTEND

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WITH DISSIDENCE IN HER CABINET AND THE CONGRESS "HIGH COMMAND".

SHE WAS ABLE TO CONTAIN CONGRESS FACTIONALISM IN AN NUMBER OF STATES, NOTABLY MADHYA PRADESH. CRITICISM OF GOVERNMENT ELAPSES IN REGARD TO THE ECONOMY, PUBLIC ORDER AND CONSITUTIONAL PROPRIETY GREW AS THE MONSOON SESSION OF PARLIAMENT CONVENED. IN A HARDHITTING SPEECH, THE PRIME MINISTER WARNED HER FELLOW CONGRESS MEMBERS OF PARLIAMENT THAT THE ECONOMIC SITUATION MIGHT WORSEN OVER THE NEXT TWO MONTHS AND DEMANDED PARTY UNITY AND DISCIPLINE. THE PRIME MINISTER MAY BE ABLE TO SEIZE THE INTIATIVE AGAIN; SOME EVEN DISCERN SIGNS THAT SHE MIGHT RETURN TO THE MIDDLE OF THE POLITICAL ROAD. GIVEN THE SIZE AND COMPLEXITY OF INDIAS IMMEDIATE PROBLEMS MUDDLING THROUGH WITH THE SAME

OLD POLICIES SEEMS MORE PROBABLE. END SUMMARY.

1. SINCE LATE JUNE REFTEL SUBMISSION, THE PRIME MINISTEVR HAS CONTINUED TO CONTEND WITH THE PERSONAL AND FACTIONAL RIVALRIES WHICH DIVIDE TO MEN WHO COMPRISE HER CABINET AND THE CONGRESS "HIGH COMMAND"

WHICH DID NOTHING TO DAMPEN TALK OF A CABINET RESHUFFLE BEFORE THE

OPENING OF THE MONSOON SESSION JULY 23, THUS PERHAPS KEEPING SOME OF THE LESSER FIGURES IN LINE. AMONG THE MAJOR LEADERS, HOWEVER, BARELY CONCEALED INFIGHTING SAPPED GOVERNMENT AND PARTY UNITY. RAIL MINISTER

MISHRA, WHO HAD CLASHED WITH HOME MINISTER DIKSHIT OVER BIHAR POLITICS, IS RELIABLY REPORTED TO HAVE PAID "BLITZ" EDITOR KARANJIA TO LAUNCH ITS ANTI-DIKSHIT CAMPAIGN. VARIOUS MINISTERS HAVE TRIED TO HANG THE FOODGRAIN TAKE OVER ALBATROSS AROUND PLANNING MINISTER DHAR'S NECK. DHAR HAS ADMITTED SPONOSORSHIP OF THE SCHEME WHICH HE SAYS WAS THE ONLY ALTERNATIVE. DEFENSE MINISTER RAM WARNED ABOUT IRANIAN ARMS WHILE FOREIGN MINISTER SWARAN SINGH WAS VISITING IRAN.

2. THE PRIME MINISTER HAD SOME SUCCESS IN DEALING WITH FRACTIOUS CONGRESSMEN IN THE STATES. SHE ACCEDED TO THE DEMAND THAT GUJARAT LEGISLATORS FREELY ELECT A SUCCESSOR TO DISCREDITED CHIEF MINISTER OZA; THE DOCTOR, ABLE "DISSIDENT" CHIMANBHAL PATEL, HAS PLEDGED TO WORK WITH HER TO IMPLEMENT CONGRESS POLICIES. IN MADHYA PRADESH, HER DISCARDED CONFIDANTE, DP MISHRA, TRIED TO "TOPPLE" CHIEF MINISTER SETHI BY ENGINEERING THE SURPRISE RESIGNATION OF FIVE STATE MINISTERS. THE LIMITED OFFICIAL USE

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PRIME MINISTER INTERVENED DECISIVELY, RALLIED THE POWERFUL SHUKLA BROTHERS BEHIND UITHI, AND FORCED THE MINISTERS TO WITHDRAW THIER RESIGNATIONS. IT MAY BE ONLY A TRUCE, BUT MISHRA WAS DEFEATED. THE PRIME MINISTER ALSO REINED IN HER YOUTHFUL RADICAL FOLLOWERS IN KERALA, WHO HAD TRIED TO BREAK THE RULING COMMUNIST (COP) CONGRESS MUSLIM LEAGUE COALITION THERE. OBSERVERS OPINED SHE NEEDS MUSLIM VOTES IN NORTH INDIAN AND STILL WANTS CPI SUPPORT.

3. AS PARLIAMENT CONVENED JULY 23, ATTENTION HAS FOCUSED ON THE ECONOMY, PUBLIC ORDER AND CONSTITUTIONAL PROPRIETY. THE GOVERNMENT IS ON THE DEFENSIVE ON ALL THREE ISSUES. CRITICS IN THE PRESS AND PARLIAMENT CITE THE RAPID INFLATION, THE POOR PERFORMANCE IN PROCURING FOODGRAINS (ABOUT 4.3 MILLION SO FAR, AGAINST THE ORIGINAL TARGET OF 8.1 MILLION), THE FREQUENT NON-AVAILABILITY OF FOODGRAINS IN THE "FAIR PRICE" RETAIL RATION SHOPS, RUMORED STARVATION DEATHS IN BIHAR AND ORISSA, AND THE GENERAL SCARCITY OF ESSENTIAL CONSUMER COMMODITIES. PRICES

CONTINUE THEIR UPWARD SPIRAL. RIOTING OCCURRED IN GUJARAT (TRACEABLE TO HIGH PRICES AND PUBLIC DISGUST OVER TNF MANEUVERING PROCEEDINGS PATELS ELECTION) IN KERALA (OVER FOOD SHORTAGES) AND IN RAJASTHAN (AS AN OUTGROWTH OF A STRIKE BY MENIAL AND CLERICAL GOVERNMENT EMPLOYEES FOR AN INCREASED COST OF LIVING ALLOWANCE) THE GOVERNMENT'S CARELESS ATTITUDE TOWARD THE CONSTITUTION WORRIES CRITICS ON BOTH THE LEFT AND RIGHT; THEY CITE, INTER ALIA, THE INTERVENTION OF A SUPPOSEDLY NON-POLITICAL GOVERNOR (KK SHAH OF MADRAS) IN THE GUJARAT SUCCESSION STRUGGLE.

4. THE PRIME MINISTEVR GAVE A HARDHITTING SPEECH TO CONGRESS MEMBERS OF PARLIAMENT ON JULY 21, JUST BEFORE PARLIAMENMT CONVENED. CLAIMING DROUGHT AND BANGLADESH WAR/REFUGEE EXPENSES AS THE CAUSES OF INFLATION

SHE LAUDED THE MASSIVE DROUGHT RELIEF OPERATIONS WHICH KEPT 8 OR 9 MILLION ALIVE. SHE ADMITTED THAT THE WHEAT TRADE TAKEOVER HAD NOT BEEN A "100 PERCENT"SUCCESS. NOTING THAT THE ECONOMIC SITUATION MIGHT WORSEN IN THE NEXT TWO MONTHS, SHE URGED THE PARTY AND THE PEOPLE TO UNITE AGAINST HARDSHIPS. MOST OF HER SPEECH, HOWEVER WAS DEVOTED TO "INDISCIPLINE" AND "GROUPISM" IN THE CONGRESS. SHE SAID THAT THE OLD BOSSES WERE THROWN OUT IN 1969 BUT "WE SHOULD NOT MOVE TO ANOTHER LIMITED OFFICIAL USE

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EXTREME AND HAVE GROUPS FUNCITION IN EVERY STATE". SHE URGED HER COLLEAGUES TO DISCUSS THEIR DIFFERENCES WITHIN THE PARTY, NOT IN THE PRESS. DENYING ACCUSATIONS THAT SHE WAS A "DICTATOR", SHE IMPLIED SHE MIGHT WELL BE MORE STRICT IN COMING MONTHS.

5. OPPOSITION PARTIES HAVE NOT GAINED THE POPULARITY WHICH THE CONGRESS IS LOSING. THEY REMAIN FRAGMENTED AND TIED TO THEIR PARTICULAR IDEOLOGIES

AND CONSTITUENCIES. UNITY CALLS, SUCH AS THOSE ISSUED SOME TIME AGO BY ORISSAS BIJU PATNAIK AND MORE RECENTLY BY EX/CHIEFMINISTER CHARAN SINGH OF UTTAR PRADESH FGALL FLAT. ON JULY 26 AND 27 THE PRIME MINISTER MET WITH LEADERS OF THE OPPOSITION TO SEE WHETHER SOME DEGREE OF UNITY

AND UNDERSTANDING (NOT CONSENSUS) TO FACE WHAT SHE CALLED "THE BIG CRISIS" MIGHT BE FORGED. REPORTEDLY, AT LEAST THE FIRST DAY, THEY WERE UNCOPPERATIVE AND SUSPICIOUS OF THE GOVERNMENT AND EACH OTHER. SOME OBSERVERS SEE A DECLINE IN PUBLIC INTEREST IN ALL THE PARTIES. AND PERHAPS IN THE SYSTEM ITSELF.

6. COMMENT: IN A MONTH OF MIXED RETURNS AND CONTRADICTORY DEVELOPMENTS, THERE ARE NOW FIRST INDICATIONS THAT THE PRIME MINISTER MAY BE TRYING TO MOVE WITH MORE DECISIVENESS TO BREAK THE RUN OF BAD LUCK, BAD POLICY AND FACTIONALISM WHICH HAS DOGGED HER FOR OVER A YEAR. A NUMBER OF MPS AND GOVERNMENT OFFICIALS BELIEVE MRS GANDHI IS PREPARING TO TURN TOWARD MORE PRAGMATIC PRODUCTION ORIENTED POLICIES, IF SHE DOES IT MAY BE BY "TALKING LEFT BUT ACTING RIGHT IN ORDER TO MINIMIZE THE INTENSE CONTROVERSY AND CONFLICT THIS WOULD PRODUCE WITHIN THE CONGRESS PARTY. NONETHELESS, IT IS DIFFICULT TO IMAGINE ANY SHORT TERM POLICY CHANGES WHICH WOULD AMELIORATE THE BIG PROBLEMS NOW. IMPENDING SEVERE FOREIGN EXCHANGE OUTFLOW DUE TO PLANNED FOODGRAIN IMPORTS MILITATES AGAINST DRAMATIC LIBERALIZATION OF INDUSTRIAL (AND, THEREFORE, IMPORT) LICENSING POLICY. THE PROBLEMS IN AGRICULTURE ARE EXTREMELY COMPLEX, INTERTWINED WITH THE POLITICAL PRESSURE GROUPS, AND NOT LIKELY TO BE SOLVED IN THE SHORT TERM (ALTHOUGH SUCH MOVES AS AN INCREASE IN PROCUREMENT PRICES, LIMITED OFFICIAL USE

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ESPECIALLY OF WHEAT, WOULD HELP). THE PRAGMATISTS AND TECHNOCRATS HAVE NOT PRESENTED COHERENT ALTERNATIVES. THE TIMES DO NOT SEEM PROPITIOUS FOR DRAMATIC MOVES TOWARD THE CENTER OR FURTHER LEFT. MOST PROBABLY, THE PRIME MINISTER WILL TALK LEFT AND MUDDLE THROUGH, TRUSTING TO LUCK, GOOD RAINS AND SOME FOREIGN AID. (NOTE: CONGEN CONTRIBUTIONS AND VIEWS ARE REFLECTED IN THIS MESSAGE).

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